Imperial Oil Limited 1880-1980

Report on the annual meeting of shareholders Toronto, April 25, 1980

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The remarks made by Messrs. Armstrong, Livingstone, and Macdonald are reported here in condensed form. Complete texts of these remarks are available from The Manager, Investor Relations, Imperial Oil Limited, 111 St. Clair Avenue West, Toronto, Canada, M5W 1K3.

The annual meeting of shareholders of Imperial Oil Limited was held at the Royal York Hotel in Toronto on Friday, April 25, 1980, with 1042 shareholders and other persons present. Special guests were 140 students and their teachers from three secondary schools in Toronto and one in Barrie.

The number of shares represented in person or by proxy was 106 487 964, which is 81.43 percent of the issued and outstanding shares. Of the 39 837 007 shares not owned by Exxon Corporation, 15 556 368 (39.5 percent) were represented at the meeting.

During the meeting, Chairman J. A. Armstrong announced plans for an offering of additional Class A shares to all shareholders on a record date later announced to be May 16 and terminating June 11, unless extended. The plan provided shareholders with the opportunity to acquire one new share for every five Class A or Class B shares held. The offering price was established at $33 per share.

The number of shares in the offering is estimated at approximately 26.2 million. If fully subscribed, the proceeds to the company would be about $865 million, which would be added to the general funds and applied to capital and exploration expenditures.

The offering is a record for Canada and is the first equity issue by Imperial in nearly 25 years. It reflects the company's commitment to the exploration and development of Canada's natural resources, a commitment that is expected to amount to $1 billion in 1980 alone.

Report on the annual meeting

Election of directors and appointment of auditors and officers

W. J. Young,
Senior vice-president

Shareholders elected the following nominees as directors of the company: J. A. Armstrong, J. B. Buchanan, P. Des Marais II, J. W. Flanagan, M. Kovitz, J. G. Livingstone, D. D. Lougheed, W. A. Macdonald, V. Sirois, and W. J. Young. A motion to appoint Price Waterhouse & Co. auditors of the company to hold office until the close of the next annual meeting was passed unanimously.

At a meeting of the board of directors after the annual meeting, J. A. Armstrong was reappointed chairman of the board and chief executive officer.

J. G. Livingstone was reappointed president.

Reappointed senior vice-presidents were J. W. Flanagan, D. D. Lougheed, V. Sirois, and W. J. Young.

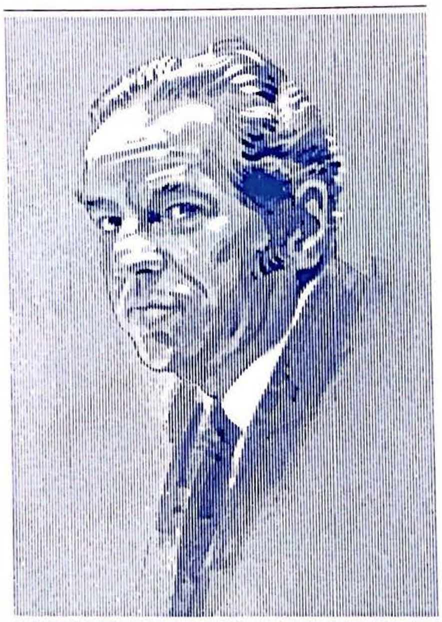
Continuing as vice-presidents and officers are: R. E. Landry, A. M. Lott, D. H. MacAllan, G. R. McLellan, A. G. Moreton, G. A. Rogers, P. Stauft, T. H. Thomson, and W. A. West. General secretary is D. H. MacAllan, comptroller is G. R. McLellan, general counsel is G. A. Rogers, and treasurer is A. M. Lott. Corporate secretary is R. J. Michaelides and assistant secretaries are J. A. Ellis, L. G. French, and J. W. Platts. Assistant comptrollers are J. E. Burns and W. D. West. Assistant treasurer is S. B. L. Penrose.

J. W. Flanagan,
Senior vice-president

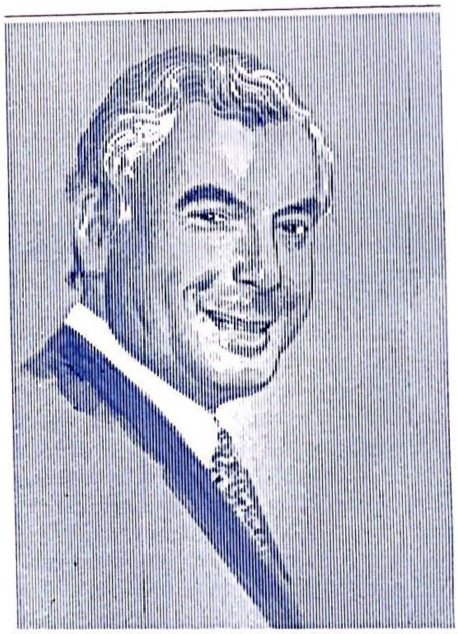
J. B. Buchanan,

Report of the auditors, by W. A. Macdonald

W. A. Macdonald, Director



V. Sirois, Senior vice-president



P. Des Marais II, Director

In the interest of public understanding, corporations and the media must find better ways of reporting profits, W. A. Macdonald, chairman of Imperial's audit committee, told the shareholders at the annual meeting.

"Good public policy depends on good public understanding," Mr. Macdonald said in the Report of the Audit Committee. Profits cannot fail to be misunderstood so long as they are presented in a couple of lines in the press, he said. They will be misunderstood if they are presented in isolation from their true level after reflecting inflation, in isolation from how they are used in terms of new investment, the creation of employment, and the contribution to public revenues, and in isolation from what they mean in terms of return on investment.

"The challenge in the coming year is to find more adequate ways of conveying on a daily reporting basis what corporations are doing."

In reporting on his committee's activities, Mr. Macdonald pointed to several changes in the 1979 annual report to enhance shareholder and public understanding.

Firstly he noted that additional detail concerning business segments and oil and gas reserves was included for the first time in this year's report. We "felt that the additional disclosure met the test that it would be interesting and informative from the standpoint of the majority of shareholders."

Secondly, the consolidated statement of changes in financial position was revised using a style of presentation that is a first for any corporation and is designed to show as clearly as possible how the company's cash is utilized.

Lastly, Mr. Macdonald said that the effects of inflation on financial results was not included in this year's report because of the continuing problem, as yet unresolved, of finding ways to report the information in a straightforward, informative manner. "We are determined, however, that the inflation issue be addressed again in next year's annual report."

Commenting on the activities of the internal and external audit groups, Mr. Macdonald said that the audit and control responsibilities of the internal audit group in 1980 are expected to increase 10 percent to 6500 man days. "This includes significant efforts in auditing major construction projects such as Cold Lake and Judy Creek."

Price Waterhouse, reappointed auditors for the coming year, are forecasting activity in 1980 at approximately 1700 man days, the same level as 1979, he added.

Energy self-sufficiency for Canada, by J. A. Armstrong

Canada can become self-sufficient in all forms of energy before the end of the century, Chairman J. A. Armstrong told the company's annual meeting. Armstrong said self-sufficiency is possible sooner "if the country really dedicates itself to the task."

He called on Canadians to face the challenge of economic reality and choose between high-priced imported oil or high-priced domestic oil. "Canada simply does not have the option of cheap domestic oil," he said. "That is just a myth– and a very expensive myth it has turned out to be."

He pointed to the fact that Canadians will pay close to $3 billion for imported oil this year, more than $100 for every man, woman, and child in the country. "I wonder if many people appreciate what that money would do if it were spent inside Canada," he said.

"The development of our natural resources will benefit every part of our country, every facet of Canadian industry and every segment of our society. All of us must realize that, rather than allowing ourselves to be the helpless victims of the international oil situation, we in this country have a unique opportunity to become its beneficiaries." The drive for energy self-sufficiency will create 350 000 new jobs for Canadians and will induce an expenditure of $120 billion for equipment, he said.

He called on governments, the energy industry, and the Canadian public to share in the challenge. The federal government, in concert with the provinces, will largely determine Canada's energy options, he said.

The Canadian public, he said, must share the responsibility, not only by recognizing the real cost of today's energy but also by its contribution to the conservation effort. "Conservation is everyone's business."

J. A. Armstrong,
Chairman and chief executive officer

M. Kovitz,

Finally, the industry "must be willing to put its money where its mouth is and demonstrate its willingness to fund new developments and take the risks associated with such developments." He said the industry already has a good track record in the reinvestment of its earnings. "In 1978, the latest year for which official statistics are available, the industry reinvested $5.4 billion in exploration and capital development, against cash flows after taxes and royalties of $5 billion."

Looking forward to 1995, Armstrong prophesied that if these commitments are made, the country will have attained energy self-sufficiency and be in a position to take advantage of its tremendous potential in all sectors.

"A pipedream? I assure you that it needn't be if Canadians have the courage and the determination to take full advantage of the immense resources with which we have been blessed. But the time to make that decision is now, while we still have at least some maneuvering room."

Noting that Imperial is celebrating its 100th anniversary in 1980, the chairman further predicted his company would fully participate in Canada's energy future for the next 100 years. "I like to think the shareholders who take part in our second centennial annual meeting will be as impressed by the progress of the next 100 years as we are today by our past."

Report of the directors, by J. G. Livingstone

If Canadians do not hold energy consumption in check, the country will certainly encounter supply shortages in the future, President, J. G. Livingstone said in the report of the directors at the company's annual meeting.

Calling on Canadians to adopt the three "Cs" of energy self-sufficiency–conservation, conversion, and commitment–Livingstone warned shareholders: "We simply cannot afford to go on deluding ourselves that Canada is a privileged paradise of cheap energy."

The president described conservation as the most immediate strategy available for coping with shortages. "Conservation will help stretch the petroleum we have left in Canada, reduce our dependence on uncertain foreign imports, and help us bridge the gap before significant production from the oil sands and the frontier regions come on stream."

Conversion from liquid petroleum to natural gas and hydroelectric power will continue to increase in importance as a solution, particularly for residential heating and for some industrial uses. So much so, according to Livingstone, that oil's share of energy consumption could decline to 25 percent by the end of the century from its present 40 percent.

But Canada must have the third "C"–commitment–to "bring our energy opportunities to fruition," he said. "There must be a national resolve to let industry get on with the job of exploring for and developing western Canadian and frontier reserves of petroleum."

Livingstone pointed to "the plain fact is there just isn't any cheap oil around anymore." He said "it is imperative that Canadians face up to the realities now, while we still have time to plan ahead, rather than have sacrifices and hardships forced upon us when the situation has become too perilous to ignore."

J. G. Livingstone, President

D. D. Lougheed, Senior vice-president

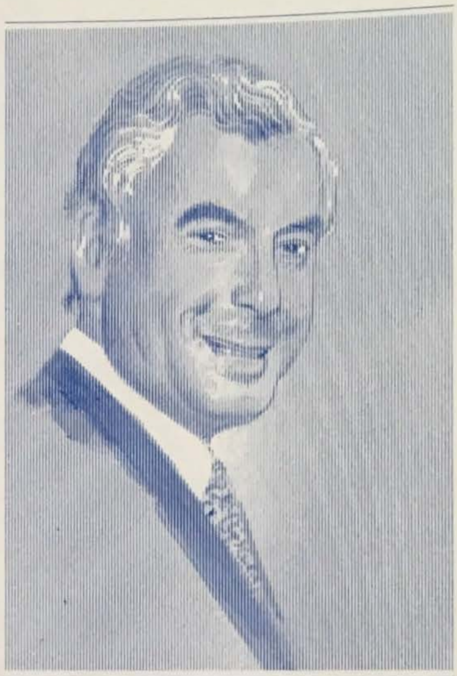
Livingstone expressed confidence that a commitment to these three "Cs" would provide answers for the challenges and opportunities Canada will face in its energy future. He pointed to the company's banner year in 1979 and to the momentum the company has built up in a number of areas, which shows signs of carrying into the future. In 1979 the company:

- posted record consolidated earnings of $493 million, an increase of 57 percent over 1978;
- achieved a record level of investment in the crucial program of oil and gas exploration, resulting in a number of successful discoveries;
- achieved an excellent land position in some of the most promising new oil and gas finds in western Canada;
- furthered its understanding of future opportunities for drilling in the Arctic islands, the Mackenzie Delta/Beaufort Sea, and east coast offshore;
- received approval of the Alberta Energy Resources Conservation Board for the Cold Lake oil-sands plant, which will enable the company to keep the project on schedule;
- achieved earnings in the petroleum-products segment of the business that were double those of the previous year, as a result of supply/demand relationships in the marketplace and continuing emphasis on increasing efficiency;
- established record after-tax earnings of $68 million by the Esso Chemical Canada division, resulting from increased domestic sales and impressive inroads into American and world markets.

Report of the auditors, by W. A. Macdonald

W. A. Macdonald,
Director

V. Sirois,
Senior vice-president



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Participation by shareholders

Eleven shareholders addressed the annual meeting and five of the student guests rose to make comments or ask questions. Here are representative comments by shareholders.

John Morley calculated that Imperial's dividend payout had dropped from about 40 percent to 32 percent and asked about the possibilities of increasing dividends. Chairman Jack Armstrong pointed out that dividends had risen from 25 cents per share in the first quarter of 1979 to 35 cents in the first quarter of 1980. A reasonable return to the shareholder is important, he continued, but he also said the company needs a lot of capital for the opportunities ahead and shareholder willingness to support ongoing investment is also important.

Replying to a question from D. Carr about Imperial's operations in the development of renewable energy resources, Chairman Armstrong said the company is keeping abreast of developments in energy from biomass, such as methanol and gasohol, as well as solar energy. "We are increasing our grants to universities and increasing our expenditures for research in this field," he said.

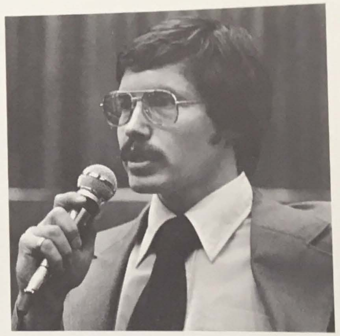
Richard James asked about the environmental effects of large tankers and offshore drilling.

The chairman agreed that these are serious matters, but said he felt the benefits to the world in terms of well-being and social programs are worth the risks, which are not taken unknowingly, unfeelingly, or without consideration for the possible results. Imperial takes precautions to avoid accidents and has plans to control the effects of any that may occur.

Other comments by shareholders mentioned the difficulty of relating to metric reporting of operating results, the importance of energy conservation, the desirability of a stock split and a larger dividend payout, souvenirs of the company's centennial, and some effects of Imperial's relationship with Exxon Corporation, which holds 69.6 percent of Imperial's shares.

President J. G. Livingstone presented the directors' report highlighting operating results. His report suggested how Canada can avoid future supply shortages.

Students from high schools in Toronto and Barrie, Ont., were guests.



Shareholder R. G. Ferguson asked about exploration lands in the Atlantic.

Shareholders and guests totalled 1042, the largest meeting in Imperial's history.

Shareholder Mrs. Marianne Kennedy talked about energy conservation.